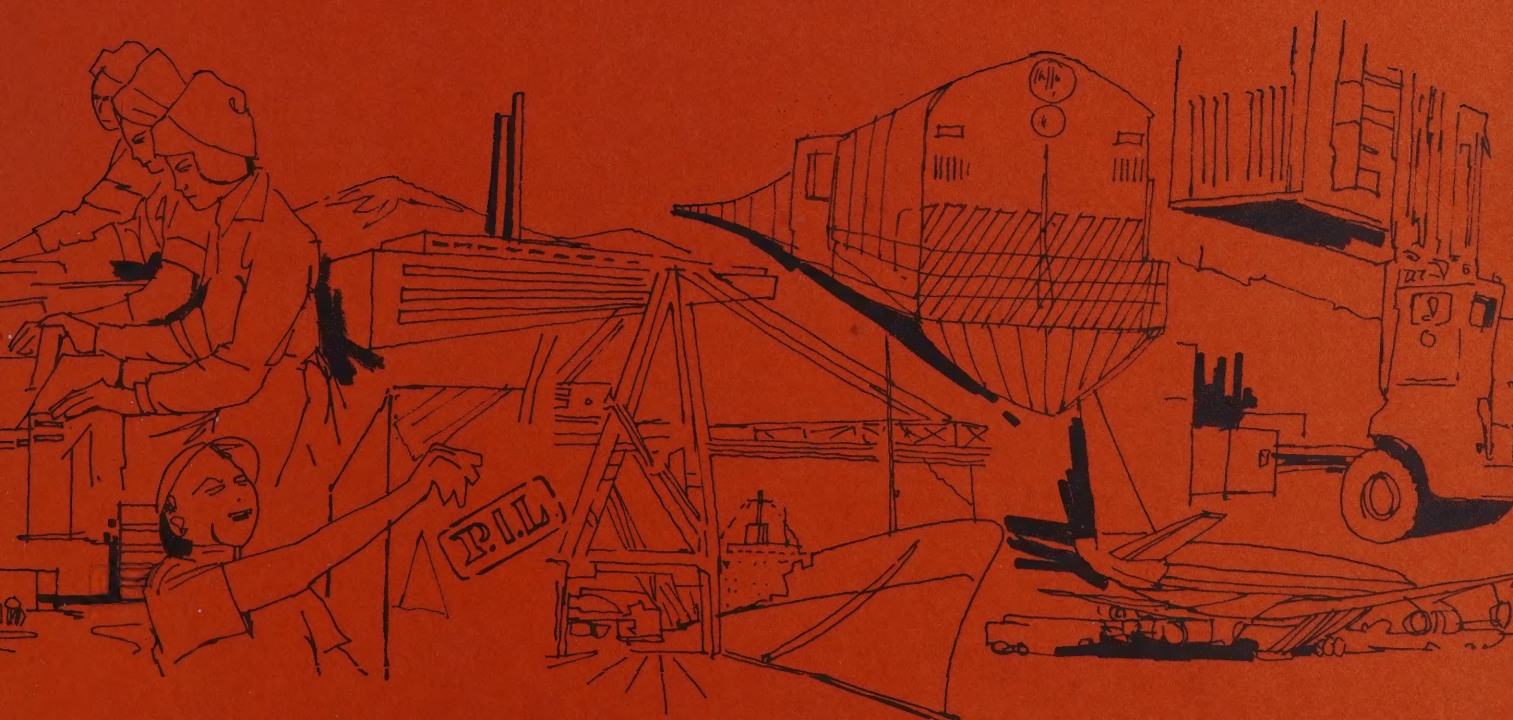


Popular Industries Limited



Annual Report 1971



FINANCIAL HIGHLIGHTS year ended October 31,

	1971	1970
Sales	\$9,901,968	\$10,627,221
Earnings before extraordinary item	96,247	118,990
Net earnings	96,247	136,939
Earnings per share		
(Based on the weighted average number of shares outstanding during the year)		
Before extraordinary item	10¢	12¢
After extraordinary item	10¢	14¢



**POPULAR INDUSTRIES LIMITED**

3556 St. Lawrence Blvd., Montreal 130, Canada - Tel. 288-7121*

June 29, 1971

To the Shareholders:

We are pleased to report that sales for the six months ended April 30, 1971 were \$5,301,938 compared to \$4,900,212 in the same period last year, for a gain of 8 per cent.

Generally rising costs, coupled with our determination to maintain prices at competitive levels, resulted in a continuation of lower gross profit margins.

Increases were experienced in general costs. Additions were made to our sales staff as well as office and warehouse employees to adequately handle the increasing volume of business.

Net profit for the period was \$81,305 or 8 cents per share, compared with last year's \$181,720 or 19 cents per share. In an effort to increase efficiency and improve the profitability of the company, we have retained professional management consultants to conduct a review of our operations and to recommend and implement new procedures. We anticipate that these steps will result in reduced operating costs and improved customer service.

In September, the company's two office and shipping facilities will be re-located in an approximately 100,000 square foot building near downtown Montreal. These new premises will provide us with larger showrooms, improved inventory handling facilities, shipping bays for trucks and railway cars as well as a bonded warehouse area. This will reduce the necessity of using outside warehouse facilities.

Our product line of Men's, Women's and Children's wear continues to receive wide acceptance among buyers throughout Canada. At the present time, bookings for our Spring '72 line are at a higher level than at any comparable period. We are therefore hopeful that increased business volumes and new operational procedures will lead to improved financial results in the future.

On behalf of the Board of Directors,

Michael Segal, President.

STANDARD LIFE ASSURANCE COMPANY

STANDARD LIFE ASSURANCE COMPANY

STANDARD LIFE ASSURANCE COMPANY

To the Shareholders:

The Board of Directors of the Standard Life Assurance Company, Limited, has the honor to acknowledge the receipt of your letter of the 10th inst. in relation to the proposed increase of the authorized capital of the Company from \$1,000,000 to \$2,000,000.

The Board has carefully considered the same and is of the opinion that the proposed increase is in the best interests of the Company and its shareholders.

The Board has also considered the question of the proposed increase of the authorized capital of the Company from \$1,000,000 to \$2,000,000, and is of the opinion that the same is in the best interests of the Company and its shareholders.

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POPULAR INDUSTRIES LIMITED

STATEMENT OF EARNINGS (UNAUDITED)

For the Six Months Ended April 30, 1971 (with comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
SALES	\$5,301,938	\$4,900,212 ✓
Earnings before income taxes	170,705	374,520
Provision for income taxes	<u>89,400</u>	<u>192,800</u>
NET EARNINGS	<u>\$ 81,305</u>	<u>\$ 181,720</u> ✓
Earnings per share	.08	.19 ✓

STATEMENT OF SOURCE AND USE OF FUNDS (UNAUDITED)

For the Six Months Ended April 30, 1971 (with comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
SOURCE OF FUNDS		
From operations:		
Net earnings for the period	\$ 81,305	\$ 181,720
Non-cash charges, depreciation and amortization	<u>5,313</u>	<u>5,291</u>
	<u>\$ 94,618</u>	<u>\$ 187,011</u>
USE OF FUNDS		
Net additions to fixed assets	<u>\$ 17,315</u>	<u>\$ 1,138</u>
INCREASE IN WORKING CAPITAL	<u>\$ 77,303</u>	<u>\$ 185,873</u>



Popular Industries Limited

Annual Report

for the year ended
October 31, 1971

BOARD OF DIRECTORS

Stanley Butler, M.D.
Gerald Cohen
Yoine Goldstein
Jean-Eudes Saint Gelais
E. Allan Lovelace
Michael Segal
Gordon C. Watt

Lakewood, California
Montreal, Quebec
Montreal, Quebec
Montreal, Quebec
Toronto, Ontario
Hamilton, Bermuda
Montreal, Quebec

OFFICERS

Michael Segal
Gerald Cohen
Charles Akerman
Seymour Steinman
Yoine Goldstein

President
Senior Vice-President
Vice-President, Sales
Vice-President, Sales
Secretary-Treasurer

TRANSFER AGENT AND REGISTRAR

Canada Permanent Trust Company

Montreal, Toronto,
Calgary, Vancouver

AUDITORS

Richter, Usher & Vineberg,
Chartered Accountants

Montreal, Quebec

LISTED

Montreal Stock Exchange

President's Report to the Shareholders

The year ended October 31, 1971 was one of re-organization for our sales planning and management functions. The minor decline in sales reflects the effort and time spent on planning our new facilities and the drastic effect that the long-shoremen's strike on the United States west coast had on importing of merchandise, thus delaying deliveries. Increased control over expenditures reduced the effect of this slight decline so that our earnings per share were reduced by only 2 cents from the previous year (before extraordinary item) to 10 cents per share. Our balance sheet reflects a very healthy financial condition with reduced inventories and improved ratio of current assets to current liabilities.

In November we moved to new and larger premises at 6255 Hutchison Street, Montreal, which rank among the most modern facilities of this kind in Canada. Major improvements in our stock handling system have resulted from having our own bonded warehouse located directly above our shipping and stockroom areas. This immediate accessibility to our bonded merchandise minimizes the need for outside warehousing thus considerably reducing our handling costs. Receiving merchandise is streamlined through our private rail siding with three unloading doors and separate truck entrance all of which enter goods onto a motorized conveyor system. We also have two shipping doors providing free access for shipment of goods. The entire system is co-ordinated to provide a



smooth and efficient flow of merchandise from our suppliers to our customers.

Our products continue to receive widespread acceptance across Canada as the general public, having learned of our high quality and excellent styling, are asking for our brands. Fashion continues to dominate the industry and, with our extensive lines of knitwear for the entire family, we are constantly placing ourselves in the foreground of current styling trends.

The Canadian government's institution of import licensing which occurred in November 1971 will have no appreciable effect on our sales of men's and boys' shirts as we are one of the major holders of Canadian global shirt quotas.

It is with pleasure that we announce the appointment of Mr. John Chen as our Far East purchasing manager. Mr. Chen's long and

skilled experience in the purchasing field will greatly enhance our overseas buying operations.

We have sold virtually all our spring and summer merchandise and have a larger backlog of fall bookings than in any previous year. We are confident that with this favourable sales order position and our improved operating facilities the company is moving into better overall conditions and will achieve substantial growth in profits.

On behalf of the Board we wish to thank all employees for the diligence, dedication and loyalty they have demonstrated over the years to date. Also, to our shareholders and associates, we would like to express our most sincere appreciation for their continuing support.

Michael Segal
President



Rapport du président aux actionnaires

L'année qui s'est terminée le 31 octobre 1971 en fut une de réorganisation pour nos départements d'administration et de planification des ventes. La légère diminution de nos ventes s'explique par le temps consacré à la planification de notre nouvelle organisation et par l'effet de la grève des débardeurs de la côte ouest des États-Unis sur nos importations de marchandises, ce qui a eu pour effet de retarder nos livraisons. Un contrôle amélioré de nos dépenses a cependant amenuisé l'effet de cette légère réduction des ventes de telle sorte que nos revenus par action n'ont diminué que de deux sous (\$0.02) par rapport à l'année précédente (avant les points extraordinaires). Ces revenus sont donc de dix sous (\$0.10) par action. Nos états financiers indiquent que notre situation financière est excellente, nos inventaires étant réduits et le rapport entre le passif et l'actif courants s'étant de beaucoup amélioré.

En novembre, nous sommes déménagés dans de nouveaux locaux plus spacieux situés au 6255, rue Hutchison, à Montréal. Ces locaux se rangent avantageusement parmi les installations les plus modernes du genre au Canada. D'importantes améliorations dans l'organisation de l'inventaire nous ont permis d'avoir notre propre entrepôt situé immédiatement au-dessus de notre salle d'expédition et de notre salle de montre. Cette facilité d'accès à nos marchandises a réduit le besoin d'entreposer ailleurs nos marchandises et a par là diminué nos frais. La réception de marchandises se

fait de façon automatisée à notre propre plate-forme de réception à laquelle donnent accès trois différentes portes et entrées de camion qui donnent accès à un système de convoyeur motorisé. Nous avons de plus deux portes d'expédition d'accès facile. Notre système complet est coordonné de façon à permettre une manipulation facile et efficace de nos marchandises à partir de chez nos fournisseurs jusqu'aux clients.

Nos produits continuent d'obtenir la faveur générale du public à travers le Canada qui, connaissant la grande qualité et l'excellence de nos modèles, les exige. La mode continue de dominer l'industrie et nous savons, par la variété de nos tricotés pour toute la famille, nous tenir à la fine pointe de ses tendances.

L'institution par le Gouvernement canadien d'un système de restrictions aux importations, en novembre 1971, n'aura pas d'effets appréciables sur nos ventes de chemises pour homme et garçon puisque notre quota global de chemises canadiennes est parmi les plus élevés.

Il nous fait plaisir d'annoncer la nomination de Monsieur John Chen au poste de gérant des achats pour l'Extrême-Orient. Monsieur Chen, qui a une longue expérience dans le domaine précis des achats, augmentera considérablement nos transactions d'outre-mer dans ce domaine.

Nous avons déjà vendu à peu près tous nos produits pour le printemps et l'été et nous avons reçu une

quantité d'inscriptions pour nos produits d'automne beaucoup plus grande qu'au cours de toutes les années précédentes. Nous sommes donc confiants qu'avec la position avantageuse dans laquelle nous placent ces commandes et avec l'amélioration des installations notre compagnie se dirige vers une situation générale nettement améliorée et nous pourrions ainsi accomplir des profits substantiels.

Au nom du Conseil d'Administration nous désirons remercier tous nos employés pour le dévouement, l'application au travail et la loyauté dont ils ont fait preuve au cours des années. Nous désirons de plus remercier tous nos actionnaires et associés pour le grand support qu'ils n'ont jamais cessé de nous apporter.

Michael Segal
Président

Popular Industries Limited

Balance Sheet

as at October 31, 1971

ASSETS

Current

	1971	1970
Accounts receivable	\$1,466,759	\$2,123,134
Income taxes refundable	48,707	—
Merchandise inventory, at the lower of cost or net realizable value (Note 1)	3,573,914	4,645,702
Prepaid expenses	<u>11,213</u>	<u>7,708</u>
	<u>5,100,593</u>	<u>6,776,544</u>

Other

Investment in subsidiary, at cost (Note 2)	<u>500</u>	<u>—</u>
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Fixed

Furniture and equipment, at cost	104,155	65,829
Automobiles, at cost	<u>17,756</u>	<u>22,754</u>
	121,911	88,583
Accumulated depreciation	<u>63,617</u>	<u>56,608</u>
	58,294	31,975
Alterations to leased premises, unamortized balance	<u>19,398</u>	<u>—</u>
	<u>77,692</u>	<u>31,975</u>
	<u><u>\$5,178,785</u></u>	<u><u>\$6,808,519</u></u>

Approved on behalf of the board:

Michael Segal, Director

Gerald Cohen, Director

LIABILITIES

	1971	1970
Current		
Bank indebtedness (Note 3)	\$1,602,392	\$1,678,976
Accounts payable and accrued charges	1,077,920	2,534,785
Income taxes payable	—	192,532
	<u>2,680,312</u>	<u>4,406,293</u>

SHAREHOLDERS' EQUITY

Capital Stock

Authorized:

1,200,000 shares without par value

Issued:

975,000 shares	583,000	583,000
Retained Earnings	<u>1,915,473</u>	<u>1,819,226</u>
	<u>2,498,473</u>	<u>2,402,226</u>
	<u><u>\$5,178,785</u></u>	<u><u>\$6,808,519</u></u>

See accompanying notes to financial statements

Popular Industries Limited**Statement of Earnings and Retained Earnings**

for the year ended October 31, 1971

	1971	1970
Sales	\$9,901,968	\$10,627,221
Cost of sales, selling, general and administrative expenses, exclusive of depreciation, amortization and interest	<u>9,552,538</u>	<u>10,175,753</u>
	<u>349,430</u>	<u>451,468</u>
Depreciation and amortization	10,406	11,794
Interest	<u>150,777</u>	<u>185,684</u>
	<u>161,183</u>	<u>197,478</u>
Income from operations	188,247	253,990
Provision for income taxes	<u>92,000</u>	<u>135,000</u>
Net earnings before extraordinary item	96,247	118,990
Extraordinary item, net of applicable income taxes	<u>—</u>	<u>17,949</u>
Net earnings for the year	96,247	136,939
Retained earnings—beginning of year	<u>1,819,226</u>	<u>1,682,287</u>
Retained earnings—end of year	<u><u>\$1,915,473</u></u>	<u><u>\$ 1,819,226</u></u>
Earnings per share (Based on the weighted average number of shares outstanding during the year)		
Before extraordinary item	10¢	12¢
After extraordinary item	10¢	14¢

See accompanying notes to financial statements

Popular Industries Limited

Statement of Source and Use of Funds

for the year ended October 31, 1971

	1971	1970
Funds Provided		
From Operations		
Net earnings for the year	\$ 96,247	\$ 136,939
Non-cash items deducted in determining net earnings:		
Depreciation and amortization	<u>10,406</u>	<u>11,794</u>
	<u>106,653</u>	<u>148,733</u>
 Funds Used		
Net additions to fixed assets	56,123	9,443
Investment in subsidiary	<u>500</u>	<u>—</u>
	<u>56,623</u>	<u>9,443</u>
Increase in working capital	50,030	139,290
Working capital—beginning of year	<u>2,370,251</u>	<u>2,230,961</u>
Working capital—end of year	<u><u>\$2,420,281</u></u>	<u><u>\$2,370,251</u></u>

Popular Industries Limited

Notes to Financial Statements

October 31, 1971

The following notes are applicable to the financial statements as at October 31, 1971. Reference is made to the previously issued report for the notes applicable to the statements as at October 31, 1970.

Note 1—Merchandise Inventory

The company follows the practice of recording duties in its accounts at the time goods are cleared from customs. Consequently, custom duties of approximately \$631,000, payable when goods are cleared, have not been included in the accounts of the company on goods in bond in the amount of \$1,969,673 and on goods in transit in the amount of \$554,234.

Note 2—Investment in Subsidiary

The financial statements of the newly incorporated subsidiary company, Park Warehouse Ltd., are not consolidated herein because the company has not commenced operations.

Note 3—Bank Indebtedness

Accounts receivable and warehouse receipts and bills of lading have been pledged as security for the bank indebtedness.

Note 4—Directors' and Senior Officers' Remuneration

\$162,433 in aggregate direct remuneration to directors and senior officers has been deducted in determining net earnings for the year ended October 31, 1971.

Note 5—Litigation

An action has been instituted by a former employee and director claiming salaries and other amounts totalling approximately \$70,000. In the opinion of counsel, the claim is without merit and should the claimant be successful, the maximum liability, not provided for in the accounts, would not exceed \$26,000.

Note 6—Lease Commitment

Rent amounting to approximately \$84,000 per annum is payable under a long-term lease of facilities in Montreal to 1982.

Auditors' Report

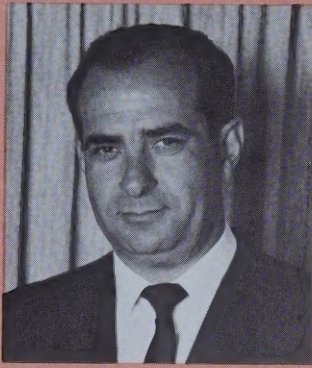
To the Shareholders of Popular Industries Limited

We have examined the balance sheet of Popular Industries Limited as at October 31, 1971 and the statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

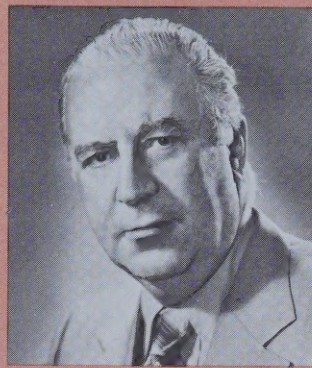
In our opinion these financial statements present fairly the financial position of the company as at October 31, 1971 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Quebec
January 7, 1972

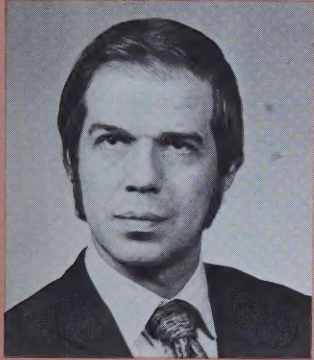
Richter, Usher & Vineberg
Chartered Accountants



Dr. Stanley Butler
Director



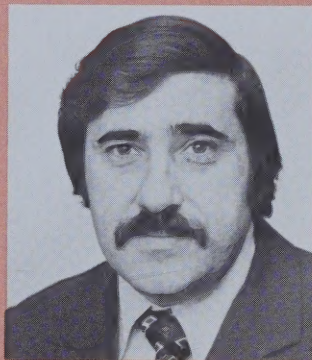
Jean-Eudes Saint Gelais
Director



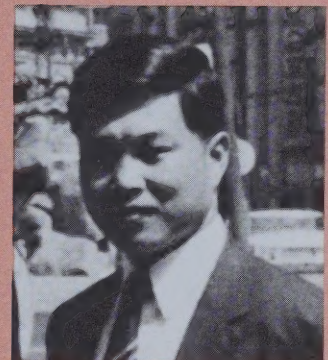
Yoine Goldstein
Secretary-Treasurer



Charles Akerman
Vice-President, Sales



Seymour Steinman
Vice-President, Sales



John Chen
Far East Purchasing Manager



Mr. Gerald Cohen, senior vice-president, is shown conducting a meeting of management personnel in our excellent new board room.

To the right is a portion of our 2,500 square feet of showroom space. These new facilities better enable us to display all merchandise lines in an attractive setting.



